AUG 2 2002

ANNUAL REPORT 1998

PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION COMMISSION

DEPARTMENT OF EDUCATION

FOR THE SCHOOL YEAR ENDING

JUNE 30, 1998

TO HIS HONOUR
THE HONOURABLE GILBERT CLEMENTS
LIEUTENANT GOVERNOR OF THE PROVINCE
OF PRINCE EDWARD ISLAND

MAY IT PLEASE YOUR HONOUR

I have the honour to submit herewith the annual report of the Prince Edward Island Teachers' Superannuation Commission for the school year ending June 30, 1998, including certain tables, reports and other matters containing information relative to the administration of the Prince Edward Island Teachers' Superannuation Act.

I have the Honour to be, Sir
Your Obedient Servant

Chester Gillan

Chester Gillan
Minister of Education

102-06783/

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Members - P.E.I. Teachers' Superannuation Commission for the period July 1, 1997 to June 30, 1998.

Elaine Noonan[1] (chair)

P. Allan Murphy[2]

John Rogers[2]

Al Ledgerwood[2]

Gar Andrew[1]

Byron Cutcliffe[1]

Terry Hogan[3]

1. Appointee of Minister of Education
2. Appointee of P.E.I. Teachers' Federation
3. Appointee of the Provincial Treasurer

Secretary to the Commission - Ronald F. Rice

BILL NO. 101 **1998**

An Act to Amend the Teachers' Superannuation Act

BE IT ENACTED by the Lieutenant Governor and the Legislative Assembly of the Province of Prince Edward Island as follows:

1. Section 15 of the *Teachers' Superannuation Act*, R.S.P.E.I. 1988, Cap. T-1 is repealed and the following substituted:

Contributions cease at age 69

15. (1) Notwithstanding section 14, a teacher shall cease contributing to the Fund not later than December 31 of the year in which the teacher reaches the age of sixty-nine years.

Pension starts by December 31

(2) Unless otherwise approved in accordance with the *Income Tax Act* (Canada), any pension to which a teacher is entitled under this Act shall commence on or before December 31 of the year in which the teacher reaches the age of sixty-nine years.

Maximum contribution

(3) Notwithstanding any other provision of this Act, the contribution to the Fund made by a teacher for a year shall in no case exceed $1,000 plus seventy per cent of the total pension credit for the teacher as defined in the *Income Tax Act* (Canada).

EXPLANATORY NOTES

These amendments bring the Teacher's Superannuation Fund into line with specific age requirements found in the *Income Tax Act* (Canada).

APPLICATIONS FOR SUPERANNUATION

During the period July 1, 1997 to June 30, 1998 the following applications for superannuation were approved:

NAME	DATE OF BIRTH	AUTHORITY	ANNUAL ALLOWANCE	EFFECTIVE DATE
Arsenault, Gloria Jean	2/11/43	16(1)(d)	31,595	July 1/98
Arsenault, Louis J.	23/5/44	16(1)(c)	26,231	Jan. 9/98
Arsenault, Teresa	13/10/43	16(1)(b)	30,106	Nov. 1/98
Bernard, Austin	4/8/43	16(1)(b)	29,790	Sept. 1/98
Bernard, Raymond	5/3/42	16(1)(b)	33,162	July 1/98
Birch, Anne Marie	28/10/47	16(1)(b)	27,388	Nov. 1/2002
Clement, John	12/3/38	16(1)(a)	23,814	July 1/98
Dalton, James J.	2/4/49	16(1)(c)	14,039	May 5/98
Doughart, George	5/3/42	16(1)(b)	39,494	July 1/98
Doyle, Carolyn	22/1/43	16(1)(b)	30,602	July 1/98
England, Michael	26/12/37	16(1)(a)	20,762	July 1/98
Fisher, Vincent L.	21/4/42	16(1)(b)	27,406	July 1/98
Garland, Parnell	4/5/43	16(1)(b)	41,709	July 1/98
Gunn, Doreen	12/10/44	16(1)(d)	31,595	July 1/98
Haire, Basil	28/1/43	16(1)(b)	38,067	July 1/98
Hermann, Gordon	24/8/43	16(1)(b)	33,824	Sept. 1/98
Howe, Rena	16/11/44	16(1)(d)	22,298	July 1/98
Hubley, Alan	15/6/43	16(1)(b)	37,035	July 1/98
Hubley, Roberta	27/5/41	16(1)(b)	34,058	July 1/98
Hudson, Theresa	9/11/43	16(1)(d)	27,471	Jan. 1/98
Hutt, Virginia	26/11/45	16(1)(b)	27,289	Dec. 1/2000
Kelly, Dorena	28/9/42	16(1)(b)	29,889	July 1/98
Kelly, Eric	16/5/38	16(1)(a)	27,081	July 1/98
King, Gladys	1/1/42	16(1)(d)	31,471	Feb. 1/98
Lakhanpal, Srishti	28/5/29	16(1)(a)	39,431	July 1/98
Lea, Walter	23/5/40	16(1)(b)	32,538	July 1/98
Leard, Arlyn	17/10/42	16(1)(b)	34,300	Nov. 1/97
Mallard, Lloyd	28/11/42	16(1)(b)	42,249	July 1/98
Morris, Kevin	10/5/43	16(1)(b)	28,887	July 1/98
Muttart, Helen	15/11/42	16(1)(a)	20,681	Dec. 1/2002
McCardle, Joyce	27/8/43	16(1)(b)	34,364	July 1/98
McCarthy, Donna	3/6/40	16(1)(b)	27,235	July 1/98
McClintick, Reginald	13/11/42	16(1)(b)	29,790	July 1/98
MacEachern, Pearl E.	21/6/42	16(1)(b)	25,411	July 1/98
McInnis, Lois	12/7/43	16(1)(b)	21,763	Aug. 1/98
MacIsaac, Maitland	20/9/42	16(1)(b)	36,507	Jan. 1/98

McManus, Sr. Carol	16/4/43	16(1)(b)	30,331	July 1/98
MacPhail, Eleanor	27/9/43	16(1)(b)	21,801	Oct. 1/98
McaPherson, Alex	24/4/43	16(1)(b)	29,815	July 1/98
Perry, Sr. Theresa	7/3/41	16(1)(b)	27,801	July 1/98
Rayner, Loring	10/9/43	16(1)(b)	31,069	Oct. 1/98
Ready, Wayne	8/9/44	16(1)(a)	8,565	Oct. 1/2004
Sherry, Norma	9/5/44	16(1)(d)	34,688	July 1/98
Stavert, Ernest	29/9/42	16(1)(b)	38,276	July 1/98
Stewart, Shirley A.	2/5/38	16(1)(a)	30,060	July 1/98
Szczygiel, Sandra	7/11/42	16(1)(c)	18,450	Nov. 25/97
Wallace, Shirley	29/8/44	16(1)(d)	31,595	July 1/98
Walsh, Mina	3/5/41	16(1)(b)	29,486	July 1/98
Whelan, Marcia	25/9/41	16(1)(b)	30,406	Oct. 1/98
White, Heather	15/6/56	24(2)	13,024	Nov. 25/97
Whitlock, Gordon	15/2/43	16(1)(b)	32,368	July 1/98

SUPERANNUATES DECEASED DURING THE PERIOD JULY 1/97 TO JUNE 30/98

NAME	DECEASED	AGE
Linkletter, Elma	July 11/97	75
Arsenault, Bernice	July 23/97	71
Roberts, Louis	Aug. 1/97	77
Ross, Anna	Aug. 2/97	85
Rodd, Anna	Aug. 14/97	83
Rowe, Mary	Sept. 14/97	92
McMahon, Marguerite	Sept. 15/97	90
Buchanan, Rachel	Nov. 2/97	82
Yeo, Grace	Dec. 30/97	85
Smith, Etta	Jan. 4/98	59
Simmons, Pauline	Jan. 6/98	62
Lanigan, Sr. Mary	Jan. 15/98	89
Kelly, Mary	Feb. 6/98	89
Hines, Mae	Feb. 8/98	90
Murphy, Anne P.	March 21/98	85
Matheson, Richard	April 24/98	86
Frizzell, Violet	May 6/98	83
Jenkins, Betty Lou	May 31/98	57
Dunn, Eileen T.	June 29/98	81

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

FINANCIAL STATEMENTS

JUNE 30, 1998

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

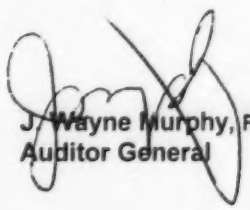
AUDITOR'S REPORT

To the Commissioners of the
Teachers' Superannuation Commission
Province of Prince Edward Island

I have audited the Statement of Net Assets Available for Benefits of the Province of Prince Edward Island Teachers' Superannuation Fund as at June 30, 1998 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Teachers' Superannuation Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
November 26, 1998

STATEMENT 1

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at JUNE 30, 1998

	1998	1997
Assets		
Cash	$ 818,104	$ 425,846
Contributions receivable - employee	-	2,365
Contributions receivable - employer	2,741	9,225
Accrued interest & other accounts receivable	3,260	878
Short term loan to Province	1,000,000	-
Term deposits	-	700,000
	1,824,105	1,138,314
Investments (Note 3)		
Province of Prince Edward Island Master Trust	230,314,384	190,945,200
Cash (overdraft) held for investment	(16)	(4,195)
	230,314,368	190,941,005
Total Assets	$232,138,473	$192,079,319
Liabilities		
Installment buybacks (Note 2[c])	5,617	4,613
Accounts payable	437,541	423,611
Total Liabilities	443,158	428,224
Net assets available for benefits	$231,695,315	$191,651,095

(The accompanying notes are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION

COMMISSIONER: Byron Rutherford

COMMISSIONER: P. H. Murphy

STATEMENT 2

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED JUNE 30, 1998

	1998	1997
INCREASE IN ASSETS		
Investment income		
Interest on investments	$ 6,018,052	$ 5,097,252
Dividends	1,059,389	1,824,768
Other income	22,292	24,743
	7,099,733	6,946,763
Market value increase	15,267,973	28,274,735
Contributions		
Employees' contributions	5,114,369	5,055,307
Employers' contributions	5,114,369	5,055,307
Transfers from other plans	542,397	175,875
Buybacks	94,716	136,873
Contribution towards unfunded liability (Note 5)	23,883,141	-
	34,748,992	10,423,362
Total Increase in Assets	57,116,698	45,644,860
DECREASE IN ASSETS		
Pensions paid	16,170,288	14,967,230
Transfers to other plans	269,018	834,293
Refunds	66,734	260,253
	335,752	1,094,546
Custodial and management fees	457,396	482,592
Other administrative costs	109,042	76,751
	566,438	559,343
Total Decrease in Assets	17,072,478	16,621,119
Increase in net assets	40,044,220	29,023,741
Net assets available for benefits at beginning of the year	191,651,095	162,627,354
Net assets available for benefits at end of the year	$231,695,315	$191,651,095

(The accompanying notes are an integral part of these financial statements)

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1998

1. Description of Plan

The following description of the Teachers' Superannuation Plan is a summary only. For more complete information, reference should be made to the Teachers' Superannuation Fund.

(a) General
The plan is a contributory defined benefit plan covering teachers as defined under the Teachers' Superannuation Act. Under the plan, employees and the employer make equal contributions of 7.2% on that part of salary on which Canada Pension Plan contributions are made and 9.0% on salary when Canada Pension Plan contributions are not required.

(b) Pensions
Pensions payable are based on the number of years of service times 2% multiplied by the average of the 5 years of the highest annual salary rate on which the teacher made contributions.

(c) Disability Pension
A disability pension is available at any age to a teacher who retires from teaching service because of total and permanent disability who has contributed to the Fund for 5 or more years.

(d) Survivors' Pension
A survivor pension is paid to a spouse and allowances are provided to dependent children of a member who has at least 5 years service.

(e) Death Refunds
If a teacher dies before becoming eligible for a pension, a refund of contributions made plus interest shall be made to their personal representative.

(f) Withdrawal Refunds
Upon application and subject to limitations within the Teachers' Superannuation Act, a person who ceases to teach is entitled to a refund of all contributions made by the individual to the fund.

(g) Income Tax
The plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income tax.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation
These financial statements are prepared on the going concern basis and present the aggregate financial position of the plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

(b) Investments are valued at market value.

(c) A past service buyback by installment plan was implemented in September 1983. Under this plan installments are accumulated for individual participants in a special fund until a sufficient amount is available to complete the buyback transaction. At that time the total buyback amount is recorded as a contribution to the Pension Fund.

3. Investments

In April 1994, the investments of the Civil Service Superannuation Fund, MLA Pension Fund, and the Teachers' Superannuation Fund were consolidated into the Province of Prince Edward Island Master Trust. Units are held by each of these funds in the Master Trust. As of June 30, 1998 there were 479,261.956 units held in the Province of Prince Edward Island Master Trust, of which the Teachers' Superannuation Fund held the following:

Units held	190,708.77
Market Value per unit	$1,207.68
Total market value held	$230,314,384

Investments of the Province of Prince Edward Island Master Trust are as follows:

Canadian T-Bills	$ 30,656,721
Other liquid assets	38,733,308
Bonds, debentures and notes	211,409,574
Canadian equity securities	192,042,486
Foreign equity securities	92,970,263
Accrued income receivable	3,839,006
Real estate	9,141,751
Total	$578,793,109

3. Investments (continued)

The investments of $578,793,109 include amounts which the Master Trust Fund managers have invested in their own pooled funds. The June 30, 1998 market values of these related parties investments are as follows:

Sceptre Investment Counsel Limited	$ 43,997,495
Beutel, Goodman & Company Ltd.	63,873,339
McLean Budden Limited	28,298,008
	$136,168,842

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and best estimate assumptions. An Actuarial Valuation was made as of July 1, 1996 by Morneau, Sobeco, Coopers and Lybrand. The actuarial present values of benefits as at July 1, 1996 and the principle components of changes from the previous Actuarial Valuation as at July 1, 1993 were as follows:

Actuarial present value of accrued pension benefits at July 1, 1993	$349,956,000
Interest on actuarial present value of accrued pension benefits	90,887,800
Actuarial present value of benefits accrued in the intervaluation period	29,005,900
Interest on present value of benefits accrued in the intervaluation period	3,530,200
Benefits paid	(40,454,600)
Interest on benefits paid	(4,801,300)
Gain re change in actuarial assumptions	(8,391,000)
Gain re change in plan provisions	(93,410,000)
Net experience gain	(16,482,000)
Actuarial present value of accrued pension benefits at July 1, 1996	$309,841,000

The economic assumptions used in determining the actuarial value of accrued pension benefits were graded over a 6 year period to rates developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

Asset rate of return	8.25 % per annum
Basic salary escalation rate	4.5 % per annum
Pension cost of living increases	2.1 % per annum

The actuarial asset values used in the valuation were:

Actuarial value of net assets available for benefits	$162,627,000

5. Funding Policy

The employer matches employee contributions to the Fund. Under Section 9(3) of the Teachers' Superannuation Act, all payments required by the Act are guaranteed by the Province of Prince Edward Island. An Actuarial Valuation Report of the Fund as of July 1, 1996 was conducted by Morneau, Sobeco, Coopers and Lybrand. This report indicated there was an unfunded liability of $147.2 million.

The unfunded liability amount of $147.2 million does not include an allowance for the present value of the future contributions noted below. The present value of remaining special contributions required by the Teachers' Superannuation Act as at July 1, 1996 is $68,114,000. If this present value had been considered for the actuarial balance sheet, the unfunded liability would be $79,100,000.

As of June 30, 1998, the estimated unfunded liability after deducting the present value of the remaining special payments is estimated at $57 million.

The Teachers' Superannuation Act was amended to reflect that the Province of Prince Edward Island shall pay $129.44 million into the Fund over a period of 10 years for the purpose of reducing the unfunded liability of the Fund. The Act was further amended in 1997 to provide for payments in accordance with the following schedule.

Date of Payment	Amount Payable to Fund
April 1, 1995	$23.60 Million
April 1, 1996	11.76 Million
March 31, 1998*	11.76 Million
April 1, 1998	11.76 Million
April 1, 1999	11.76 Million
April 1, 2000	11.76 Million
April 1, 2001	11.76 Million
April 1, 2002	11.76 Million
April 1, 2003	11.76 Million
April 1, 2004	11.76 Million

* An amount equal to the revenue that would otherwise have been earned for the period April 1, 1997 to March 31, 1998, on the contribution for the 1997-1998 fiscal year that is deferred to March 31, 1998, shall be paid in seven equal annual installments, commencing on April 1, 1998.

6. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The affects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Fund, will be fully resolved.